

Kiowa Fire Protection District

FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2018

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REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS

Board of Directors  
Kiowa Fire Protection District

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and the governmental fund of the Kiowa Fire Protection District (the "District"), as of and for the year ended December 31, 2018, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants ("US GAAS").

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinions on the Financial Statements***

In our opinion, the financial statements previously referred to, present fairly, in all material respects, the respective financial position of the governmental activities and the governmental fund of the Kiowa Fire Protection District, as of December 31, 2018, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Omission of the Management's Discussion and Analysis***

The Board of Directors has omitted the management's discussion and analysis, information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this omitted information.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability and related ratios on page 29 and 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this required supplementary information in accordance with US GAAS, which consist of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Marc, James and Associates, PC***

Highlands Ranch, Colorado  
June 12, 2019



*GOVERNMENT – WIDE FINANCIAL STATEMENTS*

Kiowa Fire Protection District  
STATEMENT OF NET POSITION

December 31, 2018

<b>ASSETS</b>	
Cash and cash equivalents	\$ 435,014
Due from Elbert County	11,004
Property taxes receivable	332,535
Prepaid expenses	8,727
Capital assets, net of accumulated depreciation of \$1,090,354	
Capital assets not being depreciated	
Land	55,125
Construction in process	216,875
Capital assets being depreciated	
Buildings	39,538
Vehicles	571,270
Equipment	<u>169,684</u>
Total capital assets	1,052,492
Restricted cash	52,930
Net pension asset	397,157
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Volunteer firefighters' pension plan	<u>34,670</u>
Total assets and deferred outflows of resources	2,324,529
<b>LIABILITIES</b>	
Accrued liabilities	794
Capital leases payable	
Due within one year	30,392
Due beyond one year	<u>248,667</u>
Total lease payable	<u>279,059</u>
Total liabilities	279,853
<b>DEFERRED INFLOW OF RESOURCES</b>	
Property taxes	332,535
Volunteer firefighters' pension plan	<u>55,682</u>
Total deferred inflows of resources	388,217
<b>NET POSITION</b>	
Invested in capital assets	1,052,492
Restricted	
TABOR reserve	15,600
Net pension asset	397,157
Unrestricted	<u>191,210</u>
Total net position	<u><u>\$ 1,656,459</u></u>

The accompanying notes are an integral part of these basic financial statements

Kiowa Fire Protection District

STATEMENT OF ACTIVITIES

For the Year ended December 31, 2018

Program expenses	
Public safety	
Administration	\$ 95,390
Firefighting and emergency medical services	249,349
Training	6,045
Equipment repairs	16,153
Stations, buildings and grounds	20,693
Durable equipment	16,975
Depreciation	120,919
Debt service	
Interest	7,919
	<hr/>
Total program expenses	533,443
Program revenue	
Emergency medical services	84,659
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Total program revenue	84,659
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Net program expenses	448,784
General revenue	
Property taxes	328,866
Specific ownership taxes	59,860
Grants and donations	174,292
Deployment	13,403
Impact fees	38,344
Insurance proceeds	199,595
Interest	3,833
Other income	7,610
	<hr/>
Total general revenue	825,803
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CHANGE IN NET POSITION	377,019
NET POSITION - beginning of the year	1,279,440
	<hr/>
NET POSITION - end of the year	\$ 1,656,459
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The accompanying notes are an integral part of these basic financial statements

*FUND FINANCIAL STATEMENTS*

Kiowa Fire Protection District  
BALANCE SHEET - GENERAL FUND  
December 31, 2018

ASSETS	
Cash and cash equivalents	\$ 435,014
Due from Elbert County	11,004
Prepaid expenses	8,727
Property taxes receivable	332,535
Restricted cash	<u>52,930</u>
Total assets	<u>\$ 840,210</u>
LIABILITIES	
Accrued liabilities	\$ 794
DEFERRED INFLOWS OF RESOURCES	
Property taxes	332,535
FUND BALANCE	
Nonspendable	8,727
Restricted	68,530
Assigned	343,448
Unassigned	<u>86,176</u>
Total fund balance	<u>506,881</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 840,210</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION	
Total fund balance	\$ 506,881
Amounts reported for governmental activities in the Statement of Net Position are different due to:	
The net pension asset of the District is a not financial resource available to the District and therefore is not reported in the general fund,	397,157
The deferred outflows and deferred inflows of resources associated with the District's net pension asset are not financial resources available or current liabilities of the District and therefore are not reported in the general fund,	(21,012)
Long-term liabilities, including lease-purchase agreements, are not due and payable in the current period and, therefore, are not reported in the governmental funds,	(279,059)
Capital assets used in governmental funds are not financial resources and therefore are not reported in the general fund, net of accumulated depreciation of \$1,090,354	<u>1,052,492</u>
Net position - governmental-wide financial statements	<u>\$ 1,656,459</u>

The accompanying notes are an integral part of these basic financial statements

Kiowa Fire Protection District

STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGE IN FUND BALANCE - GENERAL FUND

For the Year ended December 31, 2018

Revenue	
Property taxes	\$ 328,866
Specific ownership taxes	59,860
Emergency medical services	84,659
Deployment	13,403
Impact fees	38,344
Grants and donations	174,292
Insurance proceeds	250,272
Interest	3,833
Other	<u>14,450</u>
Total revenue	967,979
Expenditures	
Public safety	
Administration	110,201
Firefighting and emergency medical services	249,349
Training	6,045
Repairs and maintenance	16,153
Stations, buildings and grounds	20,693
Durable equipment	16,976
Capital outlay	
Stations	205,658
Vehicles	315,433
Equipment	74,862
Debt service	
Principal payments	33,704
Interest	<u>7,156</u>
Total expenditures	<u>1,056,230</u>
Expenditures over revenue	(88,251)
Other sources	
Proceeds from lease-purchase agreement	<u>62,000</u>
CHANGE IN FUND BALANCE	(26,251)
FUND BALANCE - beginning of the year	<u>533,132</u>
FUND BALANCE - end of the year	<u><u>\$ 506,881</u></u>

The accompanying notes are an integral part of these basic financial statements

Kiowa Fire Protection District

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - GENERAL FUND TO  
STATEMENT OF ACTIVITIES

For the Year ended December 31, 2018

Change in fund balance - general fund	\$ (26,251)
Amounts reported for governmental activities in the Statement of Activities are different due to:	
Difference in pension expense as reflected in the government-wide financial statements and in the general fund	14,812
Governmental funds report the proceeds from lease-purchase agreements as revenue. However, in the government-wide financial statements, the lease-purchase agreements are recognized on the Statement of Net Position,	(62,000)
Governmental funds report the principal payments from lease-purchase agreements as expenditures. However, in the government-wide statements, the principal payments are reflected as a reduction in the outstanding lease-purchase,	32,940
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current year,	595,953
Governmental funds report capital outlays as expenditures as incurred. In the government-wide financial statements, gains and losses on the disposal of capital assets are reflected upon disposal, this is the loss on disposal of capital assets in the current year,	(6,840)
A portion of the current year insurance proceeds reflect the net book value of a vehicle that was destroyed in the government-wide financial statements	(50,676)
Depreciation expense on capital assets is reported in the Statement of Activities. However, it does not use current financial resources, as such depreciation expense is not reported as an expenditure in the general fund.	<u>(120,919)</u>
Change in net position - government-wide financial statements	<u>\$ 377,019</u>

The accompanying notes are an integral part of these basic financial statements

Kiowa Fire Protection District

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE  
IN FUND BALANCE  
BUDGET TO ACTUAL - GENERAL FUND

For the Year ended December 31, 2018

	Original and Final Budget	Actual	Variance
Revenue			
Property taxes	\$ 327,839	\$ 328,866	\$ 1,027
Specific ownership taxes	40,000	59,860	19,860
Emergency medical services	80,000	84,659	4,659
Deployment	-	13,403	13,403
Impact fees	15,000	38,344	23,344
Grants and donations	252,000	174,292	(77,708)
Insurance proceeds	-	250,272	250,272
Interest income	1,250	3,833	2,583
Other	1,750	14,450	12,700
Total revenue	717,839	967,979	250,140
Expenditures			
Public safety			
Administration	182,100	110,201	71,899
Firefighting and emergency medical services	217,072	249,349	(32,277)
Training	6,000	6,045	(45)
Repairs and maintenance	21,500	16,153	5,347
Stations, buildings and grounds	25,800	20,693	5,107
Durable equipment	10,000	16,976	(6,976)
Contingency and emergencies	70,937	-	70,937
Capital outlay			
Stations	570,250	205,658	364,592
Vehicles	69,750	315,433	(245,683)
Equipment	59,000	74,862	(15,862)
Debt service			
Principal payments	-	33,704	(33,704)
Interest	-	7,156	(7,156)
Total expenditures	1,232,409	1,056,230	176,179
Expenditures over revenue	(514,570)	(88,251)	426,319
Other sources and uses			
Proceeds from lease/purchase	-	62,000	62,000
CHANGE IN FUND BALANCE	(514,570)	(26,251)	135,961
FUND BALANCE - beginning of the year		533,132	
FUND BALANCE - end of the year		\$ 506,881	

The accompanying notes are an integral part of these basic financial statements



Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Kiowa Fire Protection District (the "District") conform to the accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the financial statements of the District.

*1. Reporting Entity*

The District was established under State of Colorado statutes as a quasi-municipal corporation and is governed by a five-member Board of Directors pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Elbert County, Colorado and the District provides firefighting and emergency medical services ("EMS") to the residents and visitors of the District. As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

*2. Measurement Focus and Financial Accounting Framework*

Government-wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported as general revenues.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

2. *Measurement Focus and Financial Accounting Framework - continued*

Property taxes, specific ownership taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period.

For 2018, the District has one Governmental Fund, the *General Fund*, which accounts for all of the financial resources of the District.

3. *Cash and Cash Equivalents*

The District considers cash and cash equivalents to include cash on hand, demand deposits and money market accounts.

4. *Fair Value of Financial Instruments*

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of these financial instruments as of December 31, 2018, do not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

5. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates. District management has estimated the useful lives of the District's capital assets as reflected in the Statement of Net Position.

6. *Property Taxes Receivable*

Property taxes are levied on December 15 of each year, and attach as an enforceable lien on subject property as of January 1 of the following year. The property taxes are payable in full on April 30 or if paid in two installments, due on February 28 and June 15. Property taxes are considered to be delinquent as of August 1. Elbert County bills and collects the property taxes on behalf of the District and remits the collections, less the applicable Treasurer's fees, to the District on a monthly basis. As the property taxes result in an enforceable lien on the subject property, in the event the property taxes are not paid, the subject property may be sold at public auction to collect the delinquent property taxes. Accordingly, no provision is deemed necessary for uncollected property taxes. As of December 31, the District has recorded the subsequent year levied property taxes and the related deferred inflow of resources.

Kiowa Fire Protection District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

7. *Restricted Net Position*

The restriction of net position represents amounts that may not be appropriated or are legally segregated for a specific purpose.

8. *Capital Assets*

The District's capital assets are recorded at cost if purchased or constructed. Donated capital assets are valued at the estimated fair value at the time of the donation. The District's capital assets consist of land, buildings, trucks and other equipment. The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize certain items less than \$5,000 in certain circumstances. Depreciation is provided in amounts sufficient to relate the cost of depreciable capital assets to operations over the estimated useful lives of the assets. Depreciation is provided under the straight-line method, with estimated service lives of three years to forty years.

The cost of normal maintenance and repairs that do not add to the value of, or materially extend the life of, the related capital asset, are charged to expense as incurred.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a Non-GAAP basis for the District's General Fund. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado Revised Statutes, in the establishment of the budgetary information reflected in the accompanying financial statements:

Prior to October 15, the District's Treasurer submits a proposed operating budget for the subsequent fiscal year to the District's Board of Directors. The Board of Directors may change the proposed budget prior to the publication of the notice of budget. Within ten days of the submission, a notice of the proposed budget is published. The operating budget includes proposed expenditures and the means of financing the expenditures.

Public hearings are held at the regular District Board of Directors' meetings to obtain taxpayer input on the proposed operating budget.

On or before December 15, the operating budget is legally adopted through passage of a budget resolution. Upon adoption, the District's Treasurer is authorized to transfer the budgeted amounts within the function and objects of the Fund(s). The District's Board of Directors must approve revisions that change the total expenditures of the Fund(s). Appropriations are controlled and the budget can be only amended in accordance with the State of Colorado Revised Statutes that allows the District to amend the budget and adopt a supplemental appropriation, if funds for a specific purpose, other than ad valorem taxes, become available.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE B – BUDGET INFORMATION – *continued*

State of Colorado Statutes require a balanced budget. For 2018, the District's budgeted expenditures exceeded budgeted revenues by \$514,570. The excess of expenditures over revenue was anticipated to be funded by the use of prior year surpluses, to the extent necessary and available.

NOTE C – CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State Regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits.

As of December 31, 2018, all of the District's deposits were either insured by the FDIC or held in eligible depositories.

In addition, State of Colorado Statute specifies investments that meet defined rating and risk criteria in which local governments may hold. The allowed investments include participation in state regulated investment pools. The District participates in the Colorado Local Government Liquid Asset Trust ("COLOTRUST"). As of December 31, 2018, the District had \$163,850 on deposit with COLOTRUST Plus+. The carrying value and market value of the COLOTRUST Plus+ are equal. The COLOTRUST Plus+ is rated AA+ by Standard and Poors.

COLOTRUST determines the net asset value ("NAV") of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with GASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

NOTE D – EMERGENCY MEDICAL SERVICES ("EMS")

The District grants credit to residents, visitors and third party medical payers for EMS and EMS support response services provided by the District. Due to the uncertainty related to the various third-party payer adjustments and the timing of the actual collection of the EMS and EMS support response fees, the District recognizes revenue associated with the EMS and EMS support responses services on the cash basis, thereby recognizing the revenue when the payment for EMS and EMS support services is received.

As of December 31, 2018, the balance billed by and outstanding to the District, before third-party payer adjustments was \$73,532. The actual revenue to be recognized will be determined at the time final payment is received by the District.

Kiowa Fire Protection District  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

NOTE E – CAPITAL ASSETS

The changes in the District's capital assets for the year ended December 31, 2018, are as follows:

	Balance December 31, 2017	Additions	Disposals	Balance December 31, 2018
Capital assets				
Not subject to depreciation				
Land	\$ 55,125	\$ -	\$ -	\$ 55,125
Construction in process	11,217	205,658	-	216,875
Subject to depreciation				
Buildings	190,237	-	-	190,237
Vehicles	1,253,932	315,433	(353,082)	1,235,283
Equipment	432,018	74,862	(61,554)	445,326
Total	1,942,529	595,953	(395,636)	2,142,846
Accumulated depreciation				
Buildings	(145,944)	(4,756)	-	(150,700)
Vehicles	(861,974)	(81,306)	279,266	(664,014)
Equipment	(299,637)	(34,857)	58,854	(275,640)
Total	(1,307,555)	(120,919)	338,120	(1,090,354)
Net capital assets	\$ <u>634,974</u>	\$ <u>475,034</u>	\$ <u>(57,516)</u>	\$ <u>1,052,492</u>

NOTE F - LEASE-PURCHASE AGREEMENTS

*2017 Lease-Purchase Agreement #1*

In June 2017, the District entered into a lease-purchase collateralized by equipment as defined in the Series 2017 Lease Purchase Agreement ("2017 Lease Purchase #1"). Under the terms of the 2017 Lease Purchase #1, the lease payments shall constitute a current expenditure/expense of the District payable in the current year and in any other year so as to not be construed as a multiple fiscal year obligation.

Provided the District has complied with the terms and conditions of the 2017 Lease Purchase #1, the District shall have the option, upon any payment date as specified in the 2017 Lease Purchase #1, to prepay not less than the amount due on all of the equipment which is subject to the 2017 Lease Purchase #1.

The 2017 Lease Purchase #1 requires annual rental payments of \$29,510 including interest at a rate of 3.2% commencing on May 1, 2018 with a final payment due May 1, 2027.

As of December 31, 2018, all of the intended capital assets were not yet acquired. As such, the unused proceeds from the 2017 Lease Purchase #1, \$52,930, are reflected as restricted cash as of December 31, 2018.

Kiowa Fire Protection District  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

NOTE F - LEASE-PURCHASE AGREEMENTS - *continued*

*2017 Lease-Purchase Agreement #1- continued*

The changes in the 2017 Lease Purchase #1 for the year ended December 31, 2018 are as follows:

Balance December 31, 2017	Borrowings	Payments	Balance December 31, 2018	Balance due within One Year
\$ 250,000	\$ -	\$ 22,355	\$ 227,645	\$ 22,226

As of December 31, 2018, the future minimum payments under the 2017 Lease Purchase #1 are as follows:

Year ended December 31,	Principal	Interest	Total
2019	\$ 22,226	\$ 7,284	\$ 29,510
2020	22,937	6,573	29,510
2021	23,671	5,839	29,510
2022	24,429	5,081	29,510
2023	25,210	4,300	29,510
2024 to 2027	109,172	8,869	118,041
Total	\$ 227,645	\$ 37,946	\$ 265,591

As of December 31, 2018, the optional prepayments are as follows:

May 1,	Optional Prepayment Price
2019	\$ 205,419
2020	182,482
2021	158,810
2022	134,382
2023	109,171
2024	83,154
2025	56,304
2026	28,595
2027	-

*2017 Lease-Purchase Agreement #2*

In December 2017, the District entered into a lease-purchase for equipment as defined in the 2017 Lease Purchase Agreement ("2017 Lease Purchase #2"). Under the terms of the 2017 Lease Purchase #2, the lease payments shall constitute a current expenditure/expense of the District payable in the current year and in any other year so as to not be construed as a multiple fiscal year obligation.

Kiowa Fire Protection District  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

NOTE F - LEASE-PURCHASE AGREEMENTS - *continued*

*2017 Lease-Purchase Agreement #2- continued*

Provided the District has complied with the terms and conditions of the 2017 Lease Purchase #2, the District shall have the option, upon any payment date as specified in the 2017 Lease Purchase #2, to purchase not less than all of the equipment which is subject to the 2017 Lease Purchase #2.

The 2017 Lease Purchase #2 requires annual rental payments of \$9,808 including interest at a rate of 3.2% commencing on May 1, 2018 with a final payment due May 1, 2024. The 2017 Lease Purchase #2 is collateralized by equipment as described in the 2017 Lease Purchase #2.

The changes in the 2017 Lease Purchase #2 for the year ended December 31, 2018 are as follows:

Balance December 31, 2017	Borrowings	Payments	Balance December 31, 2018	Balance due within One Year
\$ -	\$ 62,000	\$ 10,586	\$ 51,414	\$ 8,166

As of December 31, 2018, the future minimum payments under the 2017 Lease Purchase #2 are as follows:

Year ended December 31,	Principal	Interest	Total
2019	\$ 8,166	1,642	9,808
2020	8,419	1,389	9,808
2021	8,680	1,128	9,808
2022	8,950	858	9,808
2023	9,281	527	9,808
2024	7,918	239	8,157
Total	51,414	5,783	57,197

As of December 31, 2018, the option purchase price is as follows:

May 1,	Option Purchase Price
2019	\$ 43,248
2020	34,821
2021	26,149
2022	17,199
2023	7,918
2024	-

Under both Lease-Purchase Agreements, the District is required to submit the District's audited financial statements upon the first to occur of; two weeks after the final audited financial statements become available for issuance; or 270 days after the District's year end.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE G – FUND BALANCE/NET POSITION

*Fund Balance*

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are categorized as nonspendable, restricted, committed, assigned or unassigned.

*Nonspendable* – represents amounts that cannot be spent because they are either in nonspendable form or legally required to remain intact,

*Restricted* – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation,

*Committed* – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the District's Board of Directors. Committed resources cannot be used for any other purpose unless the District's Board of Directors removes or changes the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance,

*Assigned* – represents amounts that the District intends to use for specific purposes as expressed by the District's Board of Directors or an official delegated the authority to assign amounts,

*Unassigned* – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

Fund balances

Nonspendable		
Prepaid expenses	\$	8,727
Restricted		
TABOR reserve		15,600
Lease-purchase proceeds		52,930
Total restricted		<u>68,530</u>
Assigned		
2019 budget		343,448
Unassigned		<u>86,176</u>
Total fund balance	\$	<u><u>506,881</u></u>

Included in the preparation of the 2019 budget, the District's Board of Directors included as a budgetary resource, the use of a portion of the 2018 fund balance to eliminate an excess of budgeted expenditures over budgeted revenue. As required under GASB No. 54, the use of a portion of the fund balance, in an amount no greater than is necessary to eliminate the excess of budgeted expenditures over budgeted revenue, should be classified as assigned. The assignment expires at the end of 2019.



Kiowa Fire Protection District  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

NOTE G – FUND BALANCE/NET POSITION – *continued*

*Net Position*

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

*Net investment in capital assets* – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

*Restricted net position* – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

*Unrestricted net position* – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, the District will use the most restrictive net position first.

NOTE H – PENSION PLANS

*Volunteer Firefighters' Pension Plan*

*Description of the Plan and Benefits Provided*

The District, on behalf of its volunteer firefighters, maintains the District's Volunteer Firefighters' Pension Plan, a defined benefit plan (the "Plan") which is affiliated with the Colorado Fire and Police Pension Association ("FPPA").

Volunteer firefighters who maintain an average training participation in the department of 36 hours per year are eligible to participate in the plan for that year. Volunteers' rights to benefits fully vest after 20 years of service. Volunteers, who retire at, or after the age of fifty with ten years of credited service, are entitled to a reduced benefit. In addition, the Plan provides death and disability benefits funded by insurance policies.

Effective March 2017, the District elected to close the Volunteer Firefighters' Pension Plan to new members.

Previously, the District made contributions based upon District established benefits and funding requirements based upon an actuarial study. Plan members did not make contributions. The State of Colorado also made an annual contribution to the Plan in an amount established by statute.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE H – PENSION PLANS - *continued*

Volunteer Firefighters' Pension Plan - continued

*Description of the Plan and Benefits Provided - continued*

The Plan provides retirement benefits for Plan participants and beneficiaries according to the Plan provisions as enacted and governed by the Plan Board of Trustees as follows:

Normal Retirement Benefit at Age 50 with 20 years of service (monthly)	\$	300
Disability Retirement Benefit (monthly)		
Short-term disability for line of duty injury, not to exceed 1 year		150
Long-term disability for line of duty injury, lifetime benefit		150
Survivor Benefits (monthly)		
Death in the line of duty, before retirement eligible		150
Death after normal retirement		150
Death after disability retirement		75
Funeral Benefit, lump sum, one-time only		200

The above benefit provisions were also used to determine the total pension liability (asset), discussed subsequently.

*Plan Participants Covered by the Plan as of January 1, 2017*

Retirees and beneficiaries	13
Inactive, Non-retired	4
Active	14
	<hr/>
Total participants	31
	<hr/>

*Net Pension Asset and Change in the Net Pension Asset*

As defined within GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, ("GASB 68") the Net Pension Liability/(Asset) ("NPL"/"NPA") is the difference between the Total Pension Liability ("TPL") and the Plan's Net Position. This is analogous to the Plan's accrued liability less than the market value of the Plan's assets. The TPL/NPA is based upon an actuarial valuation performed as of January 1, 2017 with a TPL/TPA measurement date of December 31, 2017. As permitted under GASB 68, the measurement date is within one year of the District's fiscal year-end of December 31, 2018, and may be used to fulfill the December 31, 2018 reporting requirements.

The change in the Plan's NPA consists of the following:

Service costs	\$	5,075
Interest on the TPL		34,337
Net Plan investment income		(114,930)
Plan administrative expenses		6,927
		<hr/>
Change in the Net Pension Asset		(68,591)
Net Pension Asset – Beginning of the Year		<hr/> (328,566)
Net Pension Asset – End of the Year	\$	<hr/> (397,157) <hr/>

Kiowa Fire Protection District  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

NOTE H – PENSION PLANS - *continued*

Volunteer Firefighters' Pension Plan - continued

*Net Pension Asset and Change in the Net Pension Asset - continued*

As of December 31, 2017, the measurement date, the NPA consisted of the following:

Total Pension Liability	\$ 478,168
Plan Net Position Available for Benefits	<u>875,325</u>
Net Pension Asset	<u>\$ (397,157)</u>
Percentage of Plan Net Position to Total Pension Liability	<u>183.06%</u>

The Plan's NPA is calculated using a Single Discount Rate of 7.50%. The Plan's NPA calculated using a Single Discount Rate that is 1% lower or 1% higher is as follows:

1% Discount 6.50%	7.50%	1% Increase 8.50%
\$ <u>(343,255)</u>	\$ <u>(397,157)</u>	\$ <u>(441,908)</u>

*Basis for Determining the District and Actuarial Calculated Contributions*

The actuarially determined contributions are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, as such, the actuarial valuation as of January 1, 2015, determined the contribution amounts for 2016 and 2017. The methods and assumptions used to determine the contribution rates are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Investment Rate of Return	7.50%
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: PR-2000 Combined Mortality Table with Blue Collar Adjustment, Post-retirement: RP-2014 Combined Mortality Table with Blue Collar Adjustment, Disability: RP-2014 Disabled Mortality Table

For the year ended December 31, 2017, the actuarial and District contributions were as follows:

Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Kiowa Fire Protection District  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

NOTE H – PENSION PLANS - *continued*

Volunteer Firefighters' Pension Plan - continued

*Deferred Outflows and Inflows of Resources - Pension Plan*

The deferred inflows and outflows of resources, as applicable, related to the Plan are amounts used under GASB 68 in developing the annual pension expense. The deferred inflows and outflows of resources arise from differences between expected and actual experiences and changes, as applicable, of assumptions. The portions of these amounts which are not included in the current pension expense (income) are reflected as deferred inflows and outflows of resources and consist of:

Deferred outflow of Resources to be recognized in future pension expense resulting from differences between projected and actual Plan investment income	\$ 27,449
Assumption changes	<u>7,221</u>
Total deferred outflows of resources - pension	\$ <u>34,670</u>
Deferred inflows of Resources to be recognized in future pension expense resulting from the difference between expected and actual experience associated with the TPA	\$ (10,568)
Deferred inflow of Resources to be recognized in future pension expense resulting from differences between projected and actual Plan investment income	<u>(45,114)</u>
Total deferred outflows of resources - pension	<u>(55,682)</u>
Net deferred outflows and inflows of resources - pension	\$ <u>(21,012)</u>

The deferred outflows and inflows of resources, net, by year to be recognized in the future pension expense (income) as of December 31, 2018 are as follows:

Year ended December 31,

2019	\$ (2,612)
2020	584
2021	(7,726)
2022	<u>(11,258)</u>
Total	\$ <u>(21,012)</u>

Statewide Fire and Police Defined Benefit Pension Plan

*Description of the Plan and Benefits Provided*

The District's full-time employees participate in the Fire and Police Pension Association of Colorado's Statewide Defined Benefit Plan (SWDB). The SWDB plan covers all full-time firefighter and police officer employees of the participating fire and police departments in Colorado hired after April 8, 1978. The SWDB plan is a multi-employer plan administered by the FFPA. Members of the SWDB plan may receive a monthly lifetime benefit upon meeting the eligibility requirements for normal, early, vested or deferred retirement.

A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE H – PENSION PLANS - *continued*

Statewide Fire and Police Defined Benefit Pension Plan - *continued*

*Description of the Plan and Benefits Provided - continued*

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the SWDB plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0% to the higher of 3% or the Consumer Price Index.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5% as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the SWDB plan and remain eligible for a retirement pension at age 55 equal to 2% of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter.

*Contributions*

Members of the SWDB plan and employers are contributing at the rate of 10.0% and 8%, respectively, of base salary for a total contribution rate of 18.0% in 2018. In 2014, the members of the SWDB plan voted to increase the member contribution to the SWDB plan beginning in 2015. Member contribution rates will increase by 0.5% annually through 2022 to a total of 12% of base salary. Employer contributions will remain at 8% resulting in a combined contribution rate of 20% in 2022.

The District's contribution to the Statewide Defined Benefit Plan for the year ending December 31, 2018, was \$17,551.

*Pension Liabilities/Assets, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions*

The SWDB plan is also subject to the provisions of GASB 68 which provide guidance for the potential recognition of the District's proportionate share of the SWDB plans net pension liability/(asset) and any related deferred outflows or deferred inflows. The District has evaluated the impact of GASB 68 and has determined the District's proportionate share of the SWDB plans net pension liability /(asset) and any related deferred outflows or deferred inflows is immaterial. As such, as permitted under US GAAP, the District's proportionate share of the SWDB plans net pension liability/(asset) and any related deferred outflows or deferred inflows are not reflected.



Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE H – PENSION PLANS - *continued*

*Fire and Police Pension Association*

The Fire and Police Pension Association administers an agent multiple-employer Public Employee Retirement System ("PERS"). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The affiliated pension plans have elected to use FPPA for plan administration investment services only. FPPA issues a publically available comprehensive annual financial report. That report may be obtained through the FPPA website at [www.fppaco.org](http://www.fppaco.org).

NOTE I - ENERGY AND MINERAL IMPACT GRANT

In April 2017, the District was approved to receive a grant award in the amount of \$200,000 for the remodel and expansion of the District's existing primary fire station. The remodel and expansion of the existing fire station was anticipated to be started in 2017. However, the project was delayed and the start date was spring 2018. The District applied and was granted an extension of the grant. Through December 31, 2018, the District has received \$79,673 under the grant.

NOTE J – TAX, SPENDING AND DEBT LIMITATIONS

*Taxpayer's Bill of Rights*

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"), contains tax, spending and debt limitations which apply to the State of Colorado and all local governments.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the calculation of the fiscal year spending limits will require judicial interpretation.

In 1996, the voters of the District voted to allow the District to retain revenues in excess of the limits established by TABOR.

*Gallagher Amendment*

In 2018, the electors of the District authorized the District to adjust the District's mill levy up or down, in response to legislative changes to the residential property tax assessment percentage. The District levied 8.689 mills for property taxes to be collected in 2019.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to, or destruction of assets; errors or omissions; injuries to volunteers; or acts of God for which the District carries commercial insurance. The District's claims have not exceeded its coverage during the preceding three years.

Kiowa Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE L – IMPACT FEES

In 2016, the State of Colorado passed House Bill 16-1088, *Fire Protection District Impact Fee on New Development*. The legislation authorizes Fire Districts to impose an impact fee on the construction of new buildings, structures, facilities, or improvements, including oil and gas wells, on previously improved or unimproved real property for reasonable related cost of fire protection services from the Fire Districts. Additionally, the County where the Fire District resides must be involved with the assessment and collection of the agreed impact fees. In March 2017, the District entered into an Intergovernmental Agreement with Elbert County for the Assessment, Collection and Remittance of Emergency Services Impact Fees establishing an impact fee schedule and authorizing the County to impose and collect the impact fee less a 3% treasurer fee to defray collection cost.

NOTE M – MANAGEMENT'S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District's financial statements and accompanying notes in conformity with generally accepted accounting principles requires management of the District to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through June 12, 2019, which is the date the financial statements and accompanying footnotes were available for issuance.

*REQUIRED SUPPLEMENTARY INFORMATION*



Kiowa Fire Protection District

VOLUNTEER FIREFIGHTERS' PENSION PLAN  
SCHEDULE OF CHANGE IN NET PENSION ASSET AND RELATED RATIOS

Year 4 (prospectively since 2014)

Measurement period ended December 31.	2014	2015	2016	2017
Total Pension Plan Liability				
Service cost	\$ 9,466	\$ 5,480	\$ 5,480	\$ 5,075
Interest on the total pension liability	34,202	33,245	33,706	34,337
Difference between expected and actual experience of the total pension liability	(21,898)	-	(9,930)	-
Assumption changes	-	-	11,947	-
Benefit payments	(32,580)	(32,580)	(32,580)	(32,580)
Net change in total pension liability	(10,810)	6,145	8,623	6,832
Total pension plan liability - beginning	467,378	456,568	462,713	471,336
Total pension plan liability - ending	\$ 456,568	\$ 462,713	\$ 471,336	\$ 478,168
Pension Plan Fiduciary Net Position				
District contributions	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Pension plan net investment income	47,936	13,291	41,161	114,930
Benefit payments	(32,580)	(32,580)	(32,580)	(32,580)
Pension plan administrative expenses	(1,485)	(2,318)	(1,489)	(6,927)
State of Colorado supplemental discretionary contribution	14,075	13,521	13,530	-
Net change in pension plan fiduciary net position	47,946	11,914	40,622	75,423
Pension plan fiduciary net position - beginning	699,420	747,366	759,280	799,902
Pension plan fiduciary net position - ending	\$ 747,366	\$ 759,280	\$ 799,902	\$ 875,325
Net Pension Asset	\$ 290,798	\$ 296,567	\$ 328,566	\$ 397,157
Pension Plan Fiduciary Net Position as a % of Total Pension Plan Liability	163.69%	164.09%	169.71%	183.06%
Net Pension Plan Liability as % of Covered Payroll	N/A	N/A	N/A	N/A
Covered Payroll	N/A	N/A	N/A	N/A

Kiowa Fire Protection District

VOLUNTEER FIREFIGHTERS' PENSION PLAN  
SCHEDULE OF CHANGE IN NET PENSION ASSET AND RELATED RATIOS

Year 4 (prospectively since 2014)

Schedule of Contributions						
Actuarially determined contribution	\$	-	\$	-	\$	-
Actual contributions		<u>34,075</u>		<u>33,521</u>		<u>33,530</u>
Contribution deficiency (excess)	\$	<u>(34,075)</u>	\$	<u>(33,521)</u>	\$	<u>(33,530)</u>
					\$	<u>-</u>